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EXDIS - HANDLE AS NODIS

E.O. 11652: GDS
TAGS: PEPR EG IS US XF
SUBJECT: CAMP DAVID TALKS: EGYPTIAN POLITICAL, SOCIAL
- AND ECONOMIC INSTITUTIONS

THIS IS THE FIRST IN A SERIES OF THREE MESSAGES ON
EGYPTIAN POLITICAL AND ECONOMIC DYNAMICS AS THEY AFFECT
THE PEACE PROCESS. IT ADDRESSES ITSELF TO THE BASIC
POLITICAL, ECONOMIC AND SOCIAL INSTITUTIONS OF EGYPT.

1. THE SETTING OF EGYPTIAN POLITICS.

EGYPT IS A CONSTITUTIONAL, ISLAMIC, SOCIALIST STATE, IN
TERMS OF POPULATION THE LARGEST IN THE ARAB WORLD. IT
HAS LONG HELD A POSITION OF LEADERSHIP IN THE ARAB WORLD
AND IS INFLUENTIAL IN AFRICAN AND NON-ALIGNED CIRCLES.
EGYPT HAS BEEN THE PRINCIPAL ARAB COMBATANT IN THE ARAB-
ISRAELI CONFLICT, AND HAS SUFFERED GREATLY FROM THE
ALLOCATION OF A LARGE PORTION OF ITS RESOURCES TO MILITARY
NEEDS. BECAUSE OF THIS, AND BECAUSE OF POORLY CONCEIVED
ECONOMIC POLICIES UNDER NASSER, EGYPT NOW FINDS ITSELF
IN VERY DIFFICULT ECONOMIC STRAITS, WHICH INEVITABLY
IMPACT UPON ITS POLITICAL DEVELOPMENT.

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2. THE IMPACT OF RECENT HISTORY.

EGYPTIAN POLITICS TODAY ARE TO A LARGE EXTEND A FUNCTION
OF THE HISTORY OF THE PAST HALF CENTURY. SADAT VIEWS
HIMSELF AS THE LATEST IN A CONTINUUM OF NATIONALIST/
REVOLUTIONARY LEADERS STRETCHING BACK TO EGYPT'S CENTURY
LONG DRIVE FOR INDEPENDENCE. PUBLICLY, SADAT TENDS TO

ASSOCIATE HIMSELF WITH NASSER, YET OPENLY DENIGRATES THE DELINQUENCIES OF THE NASSER REGIME AND EVEN MORE SO OF THE WAFDIST REGIME WHICH THE FREE OFFICERS OVERTHREW.

3. NASSER'S LEGACY

THE REVOLUTION LED BY NASSER WAS ESSENTIALLY MILITARY AND MIDDLE CLASS, REPLACING WEALTHY LANDED INTERESTS WITH THE SONS OF MIDDLE AND LOWER-MIDDLE CLASS BUREAUCRATS. NASSER, SADAT AND THE OTHER FREE OFFICERS CAME TO POWER POLITICALLY UNFORMED AND WITH ONLY LIMITED EDUCATIONS. THEIR EXPERIENCE WAS UNIQUELY MILITARY, AND THEIR MOTIVATION IN SEIZING POWER WAS LARGELY A BELIEF THAT THE MONARCHY AND OLD LINE POLITICIANS HAD BETRAYED THEM IN THE 1948 FIGHTING. THE FREE OFFICERS' POLICIES HAD LITTLE PHILOSOPHICAL FOCUS AT FIRST. NASSER'S "SOCIALISM" CAME LATER, PRIMARILY TO EXPLAIN ACTIONS ALREADY TAKEN, SUCH AS THE CONFISCATION OF ROYAL PROPERTY AND THE NATIONALIZATION OF BRITISH/FRENCH HOLDINGS. THE ESTABLISHMENT OF A POLICE STATE WAS ALSO LARGELY REACTIVE. NASSER RESISTED COMMUNIST AND RIGHT-WING ATTEMPTS TO USE THE REVOLUTION AS THEIR VEHICLE TO POWER, REFUSING TO ALLOW THE EMERGENCE OF ANY INDIVIDUAL OR ORGANIZATION WHICH COULD POTENTIALLY CHALLENGE HIS CONTROL. A SYSTEM OF CONCENTRATION CAMPS WAS ESTABLISHED; PARLIAMENT, THE JUDICIARY, AND LABOR UNIONS WERE EMAS-
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CULATED; AND POPULAR INSTITUTIONS, SUCH AS THEY WERE, ATROPHIED.

4. LIBERALIZATION UNDER SADAT.

THE STABILITY OF NASSER'S REGIME WAS A FUNCTION OF HIS CHARISMA AND WAS NON-TRANSFERABLE. THUS, SADAT INHERITED A SYSTEM THAT HE COULD NOT MAINTAIN, EVEN IF HE WANTED TO. ASIDE FROM HIS GENUINE DESIRE TO LIBERALIZE, SADAT WAS COMPELLED TO ESTABLISH MORE DEMOCRATIC INSTITUTIONS IN ORDER TO GOVERN EGYPT. THIS DOES NOT MEAN THAT SADAT DESIRES TO SHARE POWER IN ANY WESTERN SENSE. HE IS A HIGHLY PATERNALISTIC LEADER; INDEED IT IS THE AMBIVALENCE BETWEEN SADAT'S INTELLECTUAL ADMIRATION FOR WESTERN POLITICAL INSTITUTIONS AND HIS INSTINCTIVE METHODS OF TRADITIONAL, AUTHORITARIAN RULE THAT ACCOUNTS FOR THE MIXED RESULTS HE HAS ACHIEVED. SADAT STYLES HIS INSTITUTION BUILDING PROCESS THE "CORRECTIVE REVOLUTION," WHICH IN A VERY REAL SENSE IT IS. HE HAS TAKEN A MONOLITHIC STRUCTURE AND BEGUN A PROCESS OF LOOSENING IT UP. THIS PROCESS IS NOT INFINITE AND IT IS FAR FROM COMPLETE, BUT IT HAS GONE REMARKABLY FAR IN MIDDLE EASTERN TERMS

TOWARDS OPENING UP EGYPTIAN SOCIETY AND POLITICS. THIS IS PARTICULARLY TRUE IN BASIC HUMAN RIGHTS AREAS SUCH AS FREEDOM OF SPEECH AND PROTECTION AGAINST ARBITRARY INCARCERATION AND TORTURE. SADAT'S MOVES TOWARD DEMOCRATIZATION ARE THE POLITICAL PARALLEL TO HIS ECONOMIC "OPEN DOOR." CONFLICTING IDEAS ARE PERMITTED TO COMPETE AGAINST EACH OTHER, SO LONG AS THEY DO NOT CALL INTO QUESTION SADAT'S ROLE AS FATHER OF THE EGYPTIAN "FAMILY." IN

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EXAMINING WHERE EGYPT IS TODAY, IT IS IMPORTANT TO UNDERSTAND WHAT HAS HAPPENED TO THE VARIOUS INSTITUTIONS AND WHERE THEY STAND IN TERMS OF RELATIVE POWER AND INDEPENDENCE.

5. POLITICAL INSTITUTIONS.

A. THE CONSTITUTION

SADAT PRIDES HIMSELF ON THE CREATION OF EGYPT'S "PERMANENT CONSTITUTION," WHICH WENT INTO EFFECT IN 1971, COMPARING IT TO THE U.S. MODEL. THIS COMPARISON HAS LITTLE VALIDITY. THERE IS NO EFFECTIVE SEPARATION OF POWER IN EGYPT (ALTHOUGH THE JUDICIARY ON OCCASION HAS PROVEN REMARKABLY INDEPENDENT), NOR IS THERE ANY ORDERLY PROCESS TO ADJUDICATE THE CONSTITUTIONALITY OF PRESIDENTIAL DECISIONS OR PARLIAMENTARY LEGISLATION. THIS WAS DEMONSTRATED MOST GRAPHICALLY BY THE RECENT REFERENDUM AND ITS IMPLEMENTING LEGISLATION, SEVERAL CLAUSES OF WHICH APPEAR CLEARLY UNCONSTITUTIONAL. DESPITE THIS, SADAT'S CRITICS HAVE BEEN UNABLE TO OBTAIN A JUDICIAL REVIEW

AND DESPAIR OF DOING SO.

B. THE PRESIDENCY.

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EGYPT HAS A STRONG PRESIDENTIAL SYSTEM IN WHICH MOST POWER FLOWS FROM A SINGLE SOURCE. THIS IS REINFORCED BY SADAT'S DISINCLINATION TO WORK THROUGH ESTABLISHED CHANNELS. HE SEES HIMSELF AS THE CENTER OF THE REGIME AND TENDS TO DEAL WITH ALL SUBORDINATES ON A PERSONAL LEVEL.

SADAT DOES NOT DELEGATE AUTHORITY WELL. TO AN EXTENT UNKNOWN IN THE WEST, EVEN MINOR DECISIONS ARE PUSHED UP FOR PRESIDENTIAL RESOLUTION. THIS APPROVAL IS OFTEN HARD TO OBTAIN, FOR SADAT DOES NOT LIKE DETAILS (HE IS A MAN OF CONCEPTS) AND HE IS FREQUENTLY ABSENT FROM THE CAPITAL. ACCESS TO THE PRESIDENT IS STRICTLY CONTROLLED, AND SOME CABINET MEMBERS HAVE DIFFICULTY IN GETTING TO HIM. EVEN WHEN THEY HAVE SUCCEEDED, THEY ARE FREQUENTLY LEFT WITH LITTLE INDICATION OF THE COURSE OF ACTION THE PRESIDENT WISHES THEM TO PURSUE. SINCE THE DEPARTURE LAST YEAR OF FORMER FOREIGN MINISTER FAHMY, THERE IS NO ONE IN SADAT'S IMMEDIATE ENTOURAGE WHO WILL CHALLENGE HIM.

SADAT'S CLOSEST ASSOCIATES ARE LARGELY PERSONAL AND OFTEN FAMILIAL. SOME OF THEM, LIKE OSMAN AHMED OSMAN AND ASHRAF MARWAN, ARE POLITICAL LIABILITIES, IN PART BECAUSE OF RUMORED CORRUPTION. VICE PRESIDENT HOSNI MUBARAK INCREASINGLY APPEARS TO ENJOY THE PRESIDENT'S CONFIDENCE, PARTICULARLY IN DELICATE DIPLOMATIC CONTACTS WITH OTHER ARABS. HE APPEARS TO BE THE PREFERRED HEIR APPARENT, ALTHOUGH HE HAS NO POWER BASE OF HIS OWN AND WOULD HAVE TO BE ELECTED IN ACCORDANCE WITH THE CONSTITUTION. PRESIDENTIAL ASSISTANT HASSAN TUHAMI, TOO, WITH CLOSE LINKS TO THE RELIGIOUS RIGHT, IS ANOTHER MEMBER OF THE "KITCHEN CABINET," AS IS ASSEMBLY SPEAKER

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SAYED MAREI. FINALLY, JIHAN SADAT EXERCISES AN UNUSUAL AMOUNT OF POLITICAL INFLUENCE ON HER HUSBAND, PARTICULARLY ON SOCIAL ISSUES, IN WHICH SHE HAS AN IMMEDIATE CONCERN.

IN FACT, HOWEVER, SADAT REALLY HAS NO CLOSE ADVISERS.

HE TENDS TO REACH DECISIONS BY HIMSELF, IN SOLITUDE,
AND HIS ASSOCIATES ARE ONLY CONSULTED AFTER THE FACT.
THIS WAS MOST VIVIDLY DEMONSTRATED BY HIS DECISION TO
GO TO JERUSALEM--WHICH HE SHARED WITH VIRTUALLY NO ONE.
THE NATIONAL SECURITY COUNCIL IS USEFUL TO SADAT AS A
MEANS OF LEGITIMIZING HIS DECISIONS, BUT IT IS NOT A
DECISION MAKING BODY.

C. THE CABINET.

THE CABINET, AS AN INSTITUTION, HAS LITTLE POWER, IT
IS TOO LARGE (31) FOR EFFICIENT DECISION-MAKING OR EVEN
REAL CONSULTATION, ALTHOUGH REGULAR WEEKLY MEETINGS ARE
CHAIRD BY THE PRIME MINISTER. SADAT HIMSELF MAKES
LITTLE USE OF IT. INDIVIDUAL MINISTERS POSSESS POWER
IN DIRECT RELATION TO THEIR STANDING WITH THE PRESI-
DENT, AND NONE TAKES SIGNIFICANT INDEPENDENT DECISIONS.
MINISTER OF WAR GAMASY UNDOUBTEDLY ENJOYS THE GREATEST
AMOUNT OF FREEDOM, BUT THIS IS CAREFULLY LIMITED TO
TECHNICAL SUBJECTS. POLICY MATTERS ARE DECIDED BY THE
PRESIDENT.

D. THE PEOPLE'S ASSEMBLY.

THE PRESENT ASSEMBLY IS THE FIRST FREELY ELECTED PAR-
LAIMENT IN EGYPTIAN HISTORY. TWO-THIRDS OF ITS MEMBERS
ARE SERVING FOR THE FIRST TIME. THE ASSEMBLY'S IN-
FLUENCE HAS INCREASED OVER THE PAST TWO YEARS, BUT IT
IS STILL FAR FROM BEING A FULLY INDEPENDENT BODY. IT

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CAN DELAY, FRUSTRATE AND EMBARRASS THE GOVERNMENT, BUT IT

HAS LITTLE POWER TO INITIATE ACTIONS OF IMPORTANCE. ASSEMBLY MEMBERS HAVE BECOME INCREASINGLY EXPERIENCED IN MAKING THEIR INFLUENCE FELT ON THE GOVERNMENT IN MATTERS BELOW THE POLICY LEVEL. OVER 350 INTERPELLATIONS WERE ADDRESSED TO CABINET MINISTERS DURING THE LAST PARLIAMENTARY SESSION. WHILE SADAT ALLOWS THE PARLIAMENT CONSIDERABLE FREE REIN IN DEALING WITH MINISTERS, IN MATTERS OF IMPORTANCE HE HAS HIS WAY. EGYPT'S LEGISLATURE IS CURRENTLY IN A STATE OF FLUX, IN LARGE PART BECAUSE SADAT IS IN THE PROCESS OF FORMING HIS OWN PARTY, AND THE WAY IT DEVELOPS WILL STRONGLY AFFECT THE FUTURE OPERATION OF PARLIAMENT.

E. THE BUREAUCRACY.

THE VAST EGYPTIAN BUREAUCRACY FRUSTRATES ALL WHO COME IN CONTACT WITH IT, INCLUDING SENIOR GOVERNMENT OFFICIALS. IT IS DIFFUSE, UNCONTROLLED AND PERHAPS UNCONTROLLABLE. MOST MINISTERS ARE DEPENDENT ON THE BUREAUCRACY AND FIND THEMSELVES UNABLE TO AFFECT SUBSTANTIAL CHANGES. A NOTABLE CURRENT EXAMPLE OF BUREAUCRATIC RESISTANCE TO NEW POLICIES IS THE ECONOMIC "OPEN DOOR," WITH PRIVATE SECTOR BUSINESSMEN COMPLAINING THAT THE BASIC ANTAGONISM

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OF GOVERNMENT BUREAUCRATS TO CAPITALISM IS SLOWING DEVELOPMENT EFFORTS.

F. POLITICAL PARTIES.

SINCE 1952, POLITICAL PARTIES HAVE PLAYED LITTLE ROLE IN EGYPT. NASSER'S THREE ATTEMPTS TO ESTABLISH BROAD-BASED POLITICAL ORGANIZATION (NATIONAL LIBERATION RALLY, NATIONAL UNION AND ARAB SOCIALIST UNION) FAILED TO ATTRACT POPULAR SUPPORT. SADAT IS PERSONALLY RESPONSIBLE FOR PRESSING A RELUCTANT PRIME MINISTER AND OTHERS TO ESTABLISH THE PRESENT PARTY SYSTEM. IN FACT, SALEM'S CENTER PARTY NEVER ESTABLISHED GRASS ROOTS LINKS, AND BARELY EXISTED OUTSIDE PARLIAMENT. THIS WAS THE PRINCIPAL REASON FOR ITS DEMISE. THE LEFTIST PARTY (PROGRESSIVE UNIONIST GROUPING) REMAINS IN BEING, BUT IT IS QUESTIONABLE FOR HOW LONG. IN ANY CASE, IT REPRESENTS ONLY A SMALL PART OF THE EDUCATED ELITE; THE WORKING CLASS IS SOCIALLY CONSERVATIVE AND HAS LITTLE INTEREST IN MARXISM. THE NEW WAFD PARTY SHOWED REMARKABLE STRENGTH EARLIER THIS YEAR, ITS APPEAL LYING MAINLY IN ITS INDEPENDENT EXPRESSION OF THE ECONOMIC AND POLITICAL CONCERNS OF EDUCATED, MIDDLE CLASS EGYPTIANS. THE WAFD'S CRITICISMS STUNG SADAT MORE THAN THOSE OF THE LEFT OR RIGHT; IT CHALLENGED THE

LEGITIMACY OF THE 1952 REVOLUTION TOO DIRECTLY. THE WAFD HAS NOW DISSOLVED ITSELF AND HAS LITTLE CHANCE OF BEING PERMITTED TO REEMERGE. MUSTAFA MURAD'S RIGHT-WING SOCIALIST LIBERAL PARTY HAS ATTRACTED LITTLE SUPPORT AND WOULD HAVE MERGED WITH SADAT'S PARTY HAD THE PRESIDENT PERMITTED THIS. IT WILL REMAIN IN PARLIAMENT, LARGELY SUPPORTIVE OF THE PRESIDENT, BUT ESSENTIALLY IRRELEVANT. THE OTHER TWO PARTIES THAT ARE NOW ATTEMPTING
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TO FORM ARE UNLIKELY TO AFFECT THE POLITICAL EQUATION.

THE NEWEST POLITICAL EXPERIMENT IN EGYPT IS SADAT'S NATIONAL DEMOCRATIC PARTY. THE MOTIVE FOR SADAT'S ASSUMPTION OF PERSONAL LEADERSHIP OF THE MAJORITY, CENTRIST PARTY APPEARS TO HAVE BEEN TWO-FOLD. FIRST, HE WAS ANXIOUS TO RESUME THE MOVEMENT, AND PARTICULARLY THE APPEARANCE OF MOVEMENT, TOWARD POLITICAL DEMOCRACY THAT HAD BEEN INTERRUPTED THIS SPRING BY HIS CRACKDOWN ON CRITICS FROM THE RIGHT AND LEFT. SECOND, HE GENUINELY WISHES TO PROVIDE FOR THE MATERIAL NEEDS OF HIS PEOPLE. WHILE RECOGNIZING HOW DIFFICULT AND PROTRACTED A TASK THIS IS, HE CLEARLY BELIEVES HE WILL BE BETTER ABLE TO UNDERSTAND EGYPTIANS' NEEDS AND MEET THEM IF HE PERSONALLY HEADS HIS OWN PARTY. SADAT'S NEW COURSE POSES DANGERS AS WELL AS OPPORTUNITIES. THE LEADER OF THE PREVIOUS MAJORITY PARTY, PRIME MINISTER SALEM, EXERTED LITTLE DISCIPLINE OVER THE PARTY BUT DID REPRESENT A BUFFER TO CRITICISM OF THE PRESIDENT. THERE IS SOME SPECULATION THAT SADAT MAY BE THINKING OF BECOMING PRIME MINISTER ONCE HIS PARTY IS FURTHER ESTABLISHED. SINCE SADAT'S NEW PARTY WILL IN PARLIAMENT BE COMPOSED OF MOST OF THE SAME REPRESENTATIVES SALEM WAS UNABLE TO CONTROL, SADAT WILL COME IN FOR MORE DIRECT PUBLIC CRITICISM IF PARLIAMENT CONTINUES TO BE FRACTIOUS AND INEFFECTIVE.

OPPOSITION PARTIES AND INDEPENDENT MEMBERS (TOTALLING ABOUT 70 REPRESENTATIVES OUT OF 360) WILL CONTINUE AS VOCAL CRITICS BUT WILL PROBABLY MUTE THEIR TONE TO AVOID DIRECT CONFRONTATION WITH THE PRESIDENT.

6. SOCIAL INSTITUTIONS.

VIEWED FROM A SOCIAL STANDPOINT, THERE ARE THREE NATURAL

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GROUPINGS IN EGYPT--THE LEFTIST/NASSERIST, THE MIDDLE CLASS AND THE RIGHT-WING RELIGIOUS IKHWAN--WHICH ARE NOT FULLY REPRESENTED IN THE POLITICAL PARTY STRUCTURE.

A. LEFTIST/NASSERIST GROUPS.

THE EGYPTIAN LEFT IS SMALL BUT ARTICULATE AND WELL ORGANIZED. IT FACES THE USUAL PROBLEMS OF THE LEFT, MOST NOTABLY THAT THE INTELLECTUALS ARE NOT IN CLOSE HARMONY WITH LABOR. THE MAIN STRENGTH OF THE LEFT IS IN THE UNIVERSITIES AND AMONG INDUSTRIAL ESTABLISHMENTS INFLUENCED BY THE SOVIETS. DURING THE JANUARY 1977 RIOTS, THE LEFT SHOWED AN UNUSUAL ABILITY TO EXPLOIT QUICKLY URBAN INSTABILITY.

THE NASSERISTS, WHILE PERHAPS LARGER IN NUMBER THAN THE LEFT, ARE INCHOATE AS A BODY. THEY ARE PARTICULARLY STRONG IN THE UNIVERSITIES AND THE PUBLIC SECTOR. THEY HAVE FOR REASONS OF POLITICAL CONVENIENCE JOINED THE LEFT IN OPPOSITION TO SADAT, BUT THIS IS AN UNSTABLE ALLIANCE.

B. MIDDLE CLASS.

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THE MIDDLE CLASS WAS FORMED DURING THE FIRST HALF OF THIS CENTURY, AND TODAY COMPRISES THE MIDDLE AND UPPER BUREAUCRACY, AS WELL AS TEACHERS, LAWYERS, AND BUSINESSMEN. WHILE LARGE IN TERMS OF NUMBERS, IT IS AT A DIS-ADVANTAGE IN A COUNTRY WHOSE MAIN FOCUS IS ON WORKERS

AND FARMERS. MANY MEMBERS OF THE MIDDLE CLASS GRAVITATED TO THE WAFD, BUT OTHERS ARE REPRESENTED IN THE MAJORITY CENTER PARTY.

C. ISLAMIC FUNDAMENTALIST GROUPS.

THE IKHWAN, OR MUSLIM BROTHERHOOD, IS ANOTHER SOURCE OF POTENTIAL POWER, PARTICULARLY IN LIGHT OF THE REVIVAL OF MILITANT RELIGIOUS FUNDAMENTALISM THROUGHOUT ISLAM. ITS LEADERSHIP WAS DECIMATED BY NASSER, AND ITS ORGANIZATION REMAINS INCHOATE. IT HAS SIGNIFICANT SUPPORT, HOWEVER, AND IS POTENTIALLY THE LARGEST MASS ORGANIZATION IN THE COUNTRY. IT ENJOYS SUBSTANTIAL FINANCIAL BACKING (INCLUDING ALMOST CERTAINLY SIGNIFICANT AMOUNTS OF SAUDI AID), AND IS WELL ORGANIZED ON THE UNIVERSITY CAMPUSES. IT OPPOSES SADAT'S PEACE INITIATIVE AND OBJECTS TO MOST OF THE MODERNIZING TRENDS IN EGYPTIAN SOCIETY.

SADAT HAS BEEN LOATH TO ATTACK THE IKHWAN, REGARDING IT AS A "NATURAL" BARRIER TO THE LEFT. RECENTLY, HOWEVER, THE GOVERNMENT HAS TAKEN STRONG STEPS TO KEEP IN LINE THE MILITANT ISLAMIC OFFSHOOTS OF THE IKHWAN, EVIDENTLY BELIEVING THAT THEY REPRESENT A POTENTIAL, URBAN TERRORIST THREAT. INDEED, MANY THOUGHTFUL EGYPTIANS VIEW THE IKHWAN AS A GREATER DESTABILIZING FORCE THAN THE COMMUNISTS.

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7. OTHER SOCIAL INSTITUTIONS: LABOR AND THE PRESS

A. LABOR.

EGYPTIAN LABOR UNIONS REPRESENT POTENTIAL RATHER THAN ACTUAL POWER. UNIONS SUFFERED MORE THAN MOST SECTORS OF SOCIETY UNDER NASSER: MANY LEADERS WERE JAILED; SOME WERE HANGED. TODAY, UNIONS ARE ORGANIZED LARGELY IN THE PUBLIC SECTOR; THEY COOPERATE WITH MANAGEMENT, AND STRIKES ARE FORBIDDEN. POLITICALLY, THEY SUPPORT SADAT. THE GROWTH OF THE PRIVATE SECTOR COULD CHANGE THE UNIONS' ROLE, PARTICULARLY IF THE GOVERNMENT CONVERTS LARGE PORTIONS OF THE PUBLIC SECTOR TO PRIVATE OWNERSHIP.

B. THE PRESS.

THE THREE DAILY NEWSPAPERS ARE ALL GOVERNMENT CONTROLLED, AS ARE RADIO AND TELEVISION. SADAT PERSONALLY SELECTS EDITORS AND SENIOR OFFICIALS FOR THE MEDIA. THERE IS

NO PRIOR CENSORSHIP, BUT ALL MEDIA TAKE THEIR LEAD FROM THE GOVERNMENT. MINOR PARTY ORGANS (AT PRESENT TWO WEEKLY PAPERS) CRITICIZE THE GOVERNMENT, BUT THEY HAVE A LIMITED READERSHIP AND ARE SUBJECT TO JUDICIAL CONTROL. LEFTIST AL AHALI, THE MOST INFLUENTIAL, HAS HAD MOST OF ITS RECENT ISSUES CONFISCATED, AND ITS FUTURE IS IN DOUBT. RIGHT-WING AL AHRAR HAS ATTRACTED LESS ATTENTION, PARTICULARLY FROM THE INTELLECTUAL CLASS.

8. THE MILITARY.

THE SADAT REGIME AND ANY SUCCEEDING EGYPTIAN GOVERNMENT WILL REMAIN IN POWER ONLY AS LONG AS IT ENJOYS THE CON-

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FIDENCE OF THE ARMY. THE MILITARY IS THE MOST ORGANIZED AND DISCIPLINED FORCE IN SOCIETY: ITS OFFICERS ARE PROFESSIONALS, AND ITS MEN FOLLOW THEIR LEADERS. THE ARMY HAS SO FAR SUPPORTED SADAT'S PEACE INITIATIVE, ALTHOUGH WE HAVE HEARD SOME REPORTS OF MILITARY RESTIVENESS BECAUSE OF THE SLOW PACE OF THE PEACE PROCESS. THERE IS EVERY INDICATION THE ARMY WILL STAY WITH THE PRESIDENT SO LONG AS NEGOTIATIONS CONTINUE ON A COURSE THAT IS SEEN AS HONORABLE IN ARAB AS WELL AS EGYPTIAN TERMS. NEVERTHELESS, THERE ARE STRAINS WITHIN THE MILITARY. ARMY OFFICERS SUFFER THE SAME ECONOMIC PROBLEMS AS OTHER EGYPTIANS AND CONFRONT THE SAME DETERIORATING INFRASTRUCTURE. THE ARMY IS ALSO ACUTELY AWARE OF THE DEGRADATION OF ITS MILITARY EQUIPMENT, AND RECOGNIZES THAT ITS CAPABILITY VIS-A-VIS ISRAEL HAS DECLINED SINCE SADAT'S EXPULSION OF THE SOVIETS. PERHAPS THE MOST FUNDAMENTAL STRAIN IN THE MILITARY STEMS FROM

THE MARKED DIFFERENCES IN BACKGROUND AND OUTLOOK BETWEEN THE NOW SENIOR OFFICERS WHO JOINED THE ARMY BEFORE 1952 AND THE MIDDLE-GRADE OFFICERS WHO JOINED THE MILITARY AFTER THE REVOLUTION. THE OFFICERS WHO ENTERED THE MILITARY ACADEMY PRIOR TO THE REVOLUTION WERE DRAWN LARGELY FROM THE MIDDLE CLASS. THEY HAVE AN EXTREMELY PROPRIETARY ATTITUDE TOWARD THE GOVERNMENT AND CONSIDER

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THEMSELVES THE CONTROLLING ELEMENT IN EGYPT. CERTAINLY THE EGYPTIAN POLITICAL ESTABLISHMENT HAS ALWAYS MADE SURE THAT SENIOR EGYPTIAN OFFICERS BENEFITED FROM THE REVOLUTION. THERE IS A GROWING SPLIT, HOWEVER, BETWEEN THOSE SENIOR MILITARY OFFICERS WHO FEEL THEMSELVES RESPONSIBLE FOR 1952, AND THE MORE JUNIOR OFFICERS WHO ENTERED THE MUCH LARGER POST-REVOLUTION EGYPTIAN MILITARY ESTABLISHMENT. THE SURVIVING FREE OFFICERS TEND TO DISPARAGE THE NEW GENERATION OF OFFICERS, WHO THEY REGARD AS MEMBERS OF A MASSIVE ORGANIZATION WITH NO ESPRIT DE CORPS AND INFERIOR TRAINING. PART OF THE PROBLEM IS THAT CURRENT JUNIOR AND MIDDLE GRADE OFFICERS ARE INCREASINGLY DRAWN FROM THE LOWER CLASS AND MAY NOT SHARE THE UPWARDLY MOBILE, BOURGEOIS ASPIRATIONS OF THEIR "REVOLUTIONARY" SUPERIORS. THIS GENERATIONAL DISTRUST OF MILITARY SUBORDINATES WILL CONSTITUTE A GROWING PROBLEM FOR THE SADAT REGIME.

9. ECONOMIC INSTITUTIONS.

EGYPT, WITH 40 MILLION PEOPLE, IS THE MOST POPULOUS BY FAR OF THE ARAB NATIONS. ITS LAND AREA, INCLUDING DESERT, IS GREATER THAN THAT OF FRANCE AND THE TWO GERMANY'S COMBINED. EGYPT'S HABITABLE LAND IS LIMITED TO THE NARROW BANKS OF THE NILE, ITS DELTA AND A FEW SMALL OASES (A TOTAL AREA SMALLER THAN DENMARK), AND IT IS THERE THAT NEARLY ALL EGYPTIANS LIVE, IN CIRCUMSTANCES OF ONE OF THE HIGHEST POPULATION DENSITIES IN THE WORLD.

OF EVERY 20 REGULARLY-EMPLOYED EGYPTIANS, NINE WORK IN AGRICULTURE, ABOUT THREE IN MANUFACTURING AND MINING (INCLUDING PETROLEUM), TWO IN COMMERCE, ONE WORKS IN

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THE CONSTRUCTION AND UTILITIES SECTOR, ONE IN TRANSPORT AND COMMUNICATIONS, AND THE REMAINING FOUR WORKERS ARE

IN OTHER SERVICES OR UNSPECIFIED OCCUPATIONS. ALL OF THESE SECTORS EXCEPT AGRICULTURE ARE LARGELY GOVERNMENT RUN, A LEGACY OF THE SOCIALIST STATE INSTALLED IN NASSER'S TIME. MORE THAN FOUR-FIFTHS OF INDUSTRIAL PRODUCTION, FOR EXAMPLE, IS IN THE PUBLIC SECTOR. AVERAGE WAGES FOR NON-AGRICULTURAL WORKERS ARE LESS THAN \$1,000 PER YEAR, ON WHICH A TYPICAL FAMILY UNIT OF FIVE TO SIX PERSONS IS SUPPORTED. THE LEGAL MINIMUM WAGE, WHICH REFLECTS THE EARNING CAPACITY OF MANY FARM LABORERS, WORKS OUT TO UNDER \$25 PER MONTH. WHILE NOT SYSTEMATICALLY MEASURED, UNEMPLOYMENT AND UNDEREMPLOYMENT RATES ARE VERY HIGH.

THE SUM TOTAL OUTPUT OF GOODS AND SERVICES IN THE PUBLIC SECTOR-DOMINATED EGYPTIAN ECONOMY IS VALUED IN 1977 AT \$17.5 BILLION, UP MORE THAN TEN PER CENT OVER THE PREVIOUS YEAR IN CURRENT PRICES. (THE REAL GROWTH RATE DURING THE PAST YEAR WAS SLIGHTLY OVER EIGHT PER CENT.) THE AVERAGE PER CAPITA INCOME IS ABOUT \$300. THE GOVERNMENT'S UNUSUALLY COMPLICATED BUDGET IS DIFFICULT TO INTERPRET IN A NATIONAL ACCOUNTING SENSE, BUT GOVERNMENT SPENDING MAKES UP WELL OVER ONE-HALF OF THE GROSS NATIONAL PRODUCT.

THE IMPORTANT FOREIGN TRADE SECTOR IS CHARACTERIZED BY LARGE MERCHANDISE ACCOUNT DEFICITS WHICH ARE PARTIALLY OFFSET BY EARNINGS FROM SERVICES AND CAPITAL INFLOWS. EGYPT EXPORTS MORE THAN \$2 BILLION WORTH OF GOODS, MAINLY AGRICULTURAL PRODUCTS AND, INCREASINGLY, PETROLEUM, BUT IMPORTS OF INTERMEDIATE GOODS, CAPITAL EQUIPMENT AND CONSUMER ITEMS ARE VALUED AT NEARLY \$5.5 BILLION (WITH

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THE MOST COSTLY SINGLE ITEM BEING WHEAT). SIGNIFICANT EARNINGS FROM TOURISM AND THE SUEZ CANAL, PLUS LARGE-SCALE REMITTANCES FROM THE ONE MILLION EGYPTIANS WORKING ABROAD, HELP TO PAY FOR THE TRADE IMBALANCE, BUT SUBSTANTIAL FOREIGN ASSISTANCE AND BANK CREDITS ARE NEEDED EACH YEAR TO MAKE UP THE DIFFERENCE.

A TURN-ABOUT IN ECONOMIC DIRECTION--PRESIDENT SADAT'S "OPEN DOOR" POLICY ANNOUNCED IN 1974--INADVERTENTLY CONTRIBUTED TO THE DEPENDENCE ON FOREIGN AID WHICH HAS DEVELOPED IN THE PAST FEW YEARS. THAT POLICY WAS, AND IS, DESIGNED TO TRANSFORM THE HEAVILY CENTRALIZED, PUBLIC SECTOR-ORIENTED SYSTEM SADAT INHERITED FROM NASSER INTO MORE OF A MIXED ECONOMY WITH ACTIVE PRIVATE SECTOR AND FOREIGN INVESTMENT PARTICIPATION. THE RESULTS OF THIS POLICY MOVE HAVE NOT YET BEEN UP TO EARLY EXPECTATIONS, DUE LARGELY TO INTRACTABLE DEVELOPMENT PROBLEMS AND A LESS THAN COMPLETELY ATTRACTIVE INVESTMENT CLIMATE. ADDITIONALLY, THE OPEN DOOR'S LIBERALIZED IMPORT PROVISIONS AND RESULTANT TRADE IMBALANCES BROUGHT RECURRENT FINANCIAL CRISES IN THE GOVERNMENT'S DEBT SERVICE MANAGEMENT AND BUDGETARY AFFAIRS. MASSIVE OPEC ARAB AID, IN ADDITION TO U.S. ASSISTANCE, AND RECOURSE TO EXPENSIVE SHORT-TERM BANK CREDIT HAVE BEEN NECESSARY

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TO PERMIT THE IMPORT OF MUCH-NEEDED DEVELOPMENTAL AND CONSUMER GOODS. THE WORST OF THIS DEBT PAYMENTS PROBLEM SEEMS TO HAVE PASSED, BUT LARGE-SCALE OUTSIDE AID WILL CONTINUE TO BE NEEDED IF EGYPT IS TO MAKE FURTHER HEADWAY IN ITS DEVELOPMENT AND ECONOMIC REFORM EFFORTS.

THE DEVELOPMENT PROBLEMS FACING EGYPT ARE LEGION. AMONG THE MOST DIFFICULT IS THE RAPID POPULATION GROWTH, AMOUNTING TO A NET ADDITIONAL ONE MILLION PERSONS EACH YEAR. OTHERS ARE SCARCE LAND AND NATURAL RESOURCES, A PERVASIVE BUT INEFFICIENT GOVERNMENT PRESENCE, A DILAPIDATED INFRASTRUCTURE, AND HEAVY COMMITMENTS OF AVAILABLE FUNDS TO SPENDING ON MILITARY PREPAREDNESS AND FOR SOCIAL BENEFITS. THE LIST COULD GO ON AND ON. IN ADDRESSING THESE QUESTIONS, THE SADAT GOVERNMENT FACES THE DELICATE AND URGENT PROBLEM OF RECONCILING CONFLICTING CLAIMS ON EGYPT'S RESOURCE AND ENERGIES: IDENTIFIABLE PROGRESS IN MEETING THE ECONOMIC DEVELOPMENT NEEDS OF ITS PEOPLE IS A PRIORITY NO LESS IMPORTANT IN DOMESTIC POLITICAL TERMS THAN MAINTAINING MOMENTUM IN THE PEACE PROCESS. THE TWO IMPERATIVES ARE INTERDEPENDENT.

10. CONCLUSION.

AS THE ABOVE DEMONSTRATES, THE POLITICAL AND ECONOMIC
SITUATION IN EGYPT IS SUCH THAT SADAT HAS EVERY REASON
TO SEEK A COMPREHENSIVE PEACE SETTLEMENT. HE, MORE THAN
ANYONE ELSE, RECOGNIZES THE NEED TO DEVOTE HIS
COUNTRY'S ENERGY TO SOLVING ITS DOMESTIC DIFFICULTIES.
YET IT IS ALSO CLEAR THAT THE INTERNAL PROBLEMS CON-
FRONTING SADAT AND HIS REGIME ARE NOT OF A MAGNITUDE
TO FORCE HIM TO ACCEPT A SETTLEMENT THAT IS "DIS-
HONORABLE" IN ARAB TERMS. SADAT WILL COME TO CAMP
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DAVID WITH THE LEEWAY TO NEGOTIATE; HE WILL SEE NO COM-
PULSION TO CAPITULATE. EILTS

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